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TO RUEHC/SECSTATE WASHDC PRIORITY 9274
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RUEHBR/AMEMBASSY BRASILIA 3963
RUEHLP/AMEMBASSY LA PAZ AUG LIMA 2759
RUEHSJ/AMEMBASSY SAN JOSE 1340
RUEHGT/AMEMBASSY GUATEMALA 1030
RUEHTG/AMEMBASSY TEGUCIGALPA 0533
RUEHME/AMEMBASSY MEXICO 1793
RUEHZP/AMEMBASSY PANAMA 0950
RUEHBS/USEU BRUSSELS
RUEHGL/AMCONSUL GUAYAQUIL 3748

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SENSITIVE
SIPDIS

USTR FOR MARK MOWREY, BENNETT HARMAN

E.O. 12958: N/A

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SUBJECT: "WE HAD AN AGREEMENT" -- ECUADOR FRUSTRATED EU
PULLED OUT OF BANANA DEAL

¶1. (SBU) Summary. Ecuador and other Latin American banana producers had reached an agreement with the European Union which would have reduced EU tariffs on Latin bananas. However, the EU withdrew the offer after WTO Doha Round negotiations reached an impasse, even though the Latins believed that they had a stand-alone agreement. Ecuador will resume its WTO case against the EU, although it is willing to continue discussions with the EU, provided the terms of the aborted agreement remain the same. End summary.

¶2. (SBU) Econcouns met with Mentor Villagomez, Under Secretary for Commercial Affairs at the Foreign Ministry, on August 18 to review Ecuador's reaction to the EU's withdrawal from a negotiated agreement that would have reduced its tariffs on Latin American bananas and ended Ecuador's longstanding WTO dispute. Villagomez said, "We had an agreement" which was supposed to be stand-alone, and expressed frustration that the EU pulled out after the impasse in the WTO Doha Round talks at the end of July.

¶3. (SBU) Villagomez provided a copy of the aborted agreement, which called for the EU to lower its bound tariff on bananas to 148 euros/ton in 2009, and steadily lower the tariff until it reached 114 euros/ton in 2016. The agreement would have also settled a series of pending banana disputes between the Latins and the EU. As drafted, the agreement was to have been signed by Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, and Venezuela. A copy of the document has been forwarded to EEB/ATP, WHA/EPSC, and USTR.

¶4. (SBU) Villagomez said that it had been difficult for the Latins to reach a position on the agreement, suggesting that there had been disagreement between them. He added that Colombia had already accepted the agreement, which lowered the Latins' negotiating room, and that he had been criticized by some Ecuadorian producers for accepting the agreement. However, he continued, it would have been a good agreement.

¶5. (SBU) Looking forward, Villagomez said that it is possible that the EU and the Latins would revive efforts to establish an agreement in September, but if so, the agreement would have to be the one that had already been agreed. Any effort to delay or reduce the tariff reductions would not be acceptable. Meanwhile, Ecuador would proceed with the WTO legal process, and the next step would be for the WTO Dispute Settlement Body to accept the panel report that ruled in favor of Ecuador. Villagomez said that the EU had asked that Ecuador withhold pursuing legal remedies, but he told the EU that given the latest setback Ecuador cannot afford further delays.

